

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOARD OF DIRECTORS  
November 15, 2001

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors met on Thursday, November 15, 2001, at 1:00 P.M. in Conference Room A in Suite 1116, Parkway Towers, Nashville, Tennessee.

The following members were present: Steve Adams, Jay Ballard, Susan Brown, William Bruce, Gerald Reed for Riley Darnell, Leigh Ferguson, David Hayes, Harold Hunter, Bill Long, Ann Butterworth for John Morgan, Peter Abernathy for Warren Neel, Jeff Reynolds, Larry Rogers, Jerry Sisson, and Caestine Williams.

The following members were absent: Sam Bartholomew, Mark Cunningham, Carolyn Flagg, and Ronnie Knight.

Chairman David Hayes opened the meeting for public comment. No one asked to address the Board. Next, Chairman Hayes declared a quorum was present and called the meeting to order. Upon motion by Ms. Brown, seconded by Mr. Long, the minutes of the September 20, 2001, meeting were approved as distributed.

Chairman Hayes stated election of the Vice Chair was the next item. Mr. Ferguson moved that Mr. Long be selected as Vice Chair. Mr. Hunter seconded and the motion passed unanimously.

Janice Myrick, Executive Director, presented a 5-year service certificate to Linda Schmidt, Section 8 Contract Administration Division, and a 10-year service certificate to Ann Salyers, Fiscal Administration Division. Ms. Myrick presented 25-year service certificates to Vicki George, Community Programs Division, Janet McClain, Section 8 Rental Assistance Division, and Debbie Shearon, Executive Division.

Next, Ms. Myrick introduced several new division directors: Laura Swanson, Director of Section 8 Rental Assistance, Ed Lozier, Director of Homeownership, and Ed Yandell, Director of Multifamily and Special Programs.

The review of the Monthly Board Report was next on the agenda. Ms. Myrick said the report was included in the Board packet and she would answer any questions.

The report of the Bond Finance Committee was next. Ms. Butterworth said the Committee considered and adopted a Plan of Financing for Single Family Mortgage Notes Series 2001CN-1 and determined to recommend the transaction to the Board for approval. The Committee also considered the Plan of Financing for Issue 2002-1. Authorizing Issue 2002-1 is a means to have flexibility to issue bonds before the regularly scheduled January meetings in case market conditions prevent the Agency from going to market with Issue 2001-3 before the end of the current calendar year. Ms. Butterworth said the Committee approved the Plan of Financing for Issue 2002-1 and determined to recommend the transaction to the Board for approval. The Committee also accepted the Investment Report presented by Sam Epting, Director of Finance. Upon motion by Ms. Butterworth, seconded by Mr. Reynolds, the Board adopted the Series 2001CN-1 Board Resolution. Upon motion by Mr. Long, seconded by Ms. Butterworth, the Board approved the Issue 2002-1 Board Resolution and authorized the Bond Finance Committee to finalize the details of the transaction, if needed. Mr. Epting spoke briefly regarding the Investment Report and answered questions.

Next on the agenda was the report of the Grants Committee. Ms. Brown said the Committee considered staff's proposed changes to the HOME Program for 2002. The Grants Committee determined to recommend Board approval of the following changes: increase administrative fees for the grantees from 5% to 6%; reduce effective period in working agreements between grantees and the Agency to carry

out program activities from 5 years to 3 years; total amount of points awarded (50 points) for capability criteria will not be changed but staff will take into consideration the current workload of consultants involved in the projects in terms of distribution of those points; having an approved growth plan will be a threshold requirement. Upon motion by Ms. Brown, seconded by Mr. Reed, the Board approved the changes to the 2002 HOME Program as outlined.

Ms. Brown said the Grants Committee considered a request regarding a technical assistance grant. She said the Douglas-Cherokee Economic Authority ("Douglas-Cherokee") applied for and received a \$100,000 grant from ARC and HUD to provide technical assistance for capacity building for non-profits and CHDOs. The Grants Committee recommendation is to provide a \$25,000 matching grant funded through the HOME administrative fund to Douglas-Cherokee. Upon motion by Ms. Brown, seconded by Mr. Reed, the Board approved the \$25,000 matching grant to Douglas-Cherokee.

The Grants Committee considered a request regarding the Johnson City BNI project. Ms. Brown said Johnson City was awarded \$600,000 through the BNI Grant Program several years ago. Ms. Brown said the Committee recommended Board approval of the request to take \$285,000, out of the original \$600,000, and shift the money from a single family housing project to a multifamily rental project which would have 5 units. She said this is a design change which is an important part of Johnson City's BNI plan. Upon motion by Ms. Brown, seconded by Mr. Hunter, the Board approved the request for the Johnson City BNI.

Ms. Brown said the Grants Committee received a grants beneficiary report from Lorrie Shearon, Director of Research, Planning and Technical Assistance. Ms. Shearon gave the Board an overview of the information contained in the grants beneficiary report. Basically, the report indicated that the HOME Program, HOUSE Program and the one year THDA grant program are continuing to serve a large majority of very low income people and a substantial number of elderly, single person households.

The Grants Committee received an update on Mt. Pleasant. Ms. Brown said a discrimination suit was filed on behalf of a resident against the City of Mt. Pleasant. Mt. Pleasant used \$21,000 of HOME funds to rehabilitate the resident's home, however, the claim is that this work is incomplete and done in a discriminatory way. Mt. Pleasant is attempting to reach an out-of-court settlement.

The report of the Policy & Programs Committee was next on the agenda. Mr. Sisson said the Committee received a report which indicated that production is good and resources are sufficient to meet the Agency's needs at this time. He said the Committee also reviewed information on sales price data for the mortgage acquisition limits and recommended approval of staff's recommendation regarding the proposed increase. Upon motion by Mr. Sisson, seconded by Mr. Hunter, the Board approved the proposed increase in acquisition limits to be effective January 1, 2002, subject to confirmation by Bond Counsel.

Mr. Sisson said the Policy & Programs Committee discussed the Multifamily Tax-Exempt Bond Authority Program for 2002. Staff will be redrafting the allocation plan to incorporate a continuous application process for allocating the \$30 million. The allocation plan will be presented at the January meeting. The Committee heard a report on the 2001 Low Income Housing Tax Credit Qualified Allocation Plan Addendum. The second non-profit application round has been completed. Four applicants submitted applications and responses to cure notices and will receive allocations. Mr. Sisson said the Committee received an update on the Section 8 Homeownership Voucher Program. The first applicant in the program will be awarded a voucher in approximately 60 days.

Mr. Sisson said the Policy & Programs Committee discussed proposed changes to the Low Income Housing Tax Credit Qualified Allocation Plan for 2002 ("2002 QAP"). He called the Board's attention to an outline of proposed changes to the 2002 QAP, a copy of which is attached and incorporated by this reference as part of these minutes. Mr. Sisson described actions taken by the Policy & Programs Committee on several of the proposed changes in the referenced outline. The first section of

the outline pertained to changes previously recommended by the Policy & Program which were incorporated into the October 15, 2001, draft 2002 QAP:

1. Identifying Developer and Owner Entities (item #4): Added new language “or similar entity” after “nationally recognized stock exchange” in Part VII-A.6.d and Part VII-A.6.e.
2. Bicentennial Neighborhoods (item #11): Retained points for Bicentennial Neighborhoods, but reduced to 5.
3. Development Characteristics (item #13): Changed maximum points from 50 points to 40 points; changed 60% of total development cost to 40% if the development was in a qualified census tract and 50% if not in a qualified census tract.
4. Total Per Square Foot Development Costs (item #14): Eliminated these points.
5. Special Housing Needs (item # 15): Accepted an additional change, presented by Lynn Miller, General Counsel, which added language to track the Fair Housing Act for eligibility and changed the points for units for the disabled with the addition of language to state that any fraction should be rounded up to the next nearest whole number for determining the total number of units for the disabled in a development for purposes of awarding points. A copy of Ms. Miller’s memo is attached and incorporated by this reference as part of these minutes.
6. Participation of Local Tax Exempt Organizations (item #17): Eliminated these points.
7. Market Rate Units (item #18): Eliminated these points.

Mr. Sisson said the second section of the referenced outline pertained to additional changes recommended by staff which were incorporated into the October 15, 2001, draft 2002 QAP. The Committee took the following actions:

1. Multiple Initial Applications Part VI-D and Part VII-A.9 (item #1): Deleted.
2. Non-Profit Set-Aside (item #2): Selected Alternative 1, leaving requirements consistent with the 2001 Qualified Allocation Plan.
3. Existing and Incremental Developments (item #4): Established a 15-year time limit with respect to “existing” developments and a 1-year time limit with respect to “incremental” developments.
4. Developments Located in Identified Area of Affordable Housing Need (item #5): Changed points awarded for developments located in a qualified census tract (“QCT”) to 9 points; changed points awarded for developments located in a QCT and contributing to an approved community revitalization plan to 10 points; and eliminated points for the chief executive of a jurisdiction designating a census tract in need of affordable housing.
5. HOPE VI Funds (item #7): Added the words “for this Development” in the heading under Part VII-B.3.b to clarify that the information is project-specific.
6. Minimum Score: Set 61% as the minimum acceptable score with the number to be rounded up to the nearest 5.

Mr. Sisson said Ed Yandell, Director of Multifamily and Special Programs, provided the Policy & Programs Committee with copies of his memorandum dated November 14, 2001, a copy of which is attached and incorporated by this reference as part of these minutes. Mr. Yandell’s memorandum contained a recommendation for two additional changes to the October 15, 2001, draft 2002 QAP. Mr. Sisson said the Committee approved the recommendations to delete the changes regarding Exhibit 3 and Exhibit 4, retaining the same language as in the 2001 QAP and to make changes

statutorily mandated in the compliance monitoring section of the 2002 QAP. The Committee also deleted the section titled "Maximum Total Development Costs Per Unit" (Part VII-A.8).

Mr. Sisson said Mr. Bruce and Mr. Reynolds will work to better inform the legislature about the Low Income Housing Tax Credit Program and the QCT issue in particular. Upon motion by Mr. Sisson, seconded by Mr. Bruce, the Board approved the 2002 QAP as amended by the Policy & Programs Committee and authorized staff to make necessary conforming language and non-substantive changes.

Ms. Myrick distributed copies of the 2002 meeting schedule for the Board and all Committees. She said the September meeting, which is usually held in other areas of the state, will be hosted by Chairman Hayes in 2002.

Chairman Hayes said Mr. Rogers asked to serve on the Policy & Programs Committee. He asked Ms. Williams to serve on the Grants Committee.

Ms. Myrick said there was no new information on federal legislation. Staff had hoped that housing would become part of the federal stimulus package but it did not. NCSHA is continuing to work with the Committee members to have housing placed higher on an agenda. She said the main focus for housing remains the repeal of the 10-year rule.

Ms. Myrick said NCSHA held its annual meeting in Boston at the end of September. She reported that Chairman Hayes was named President of the National Conference of State Housing Boards during the Boston meeting.

Ms. Myrick said a copy of the section of the Section 8 Tenant-Based Administrative Manual dealing with a resident board member was included in the Board packet. Since the Agency has a Section 8 program, federal legislation requires the Agency to have a participant from that program on its Board of Directors. The Agency's 19-member Board was created by state legislation which does not accommodate a Section 8 tenant resident. She said the Agency is considering a 20<sup>th</sup> Board member based on federal pre-emption instead of changing the state code. Such a board member could attend all of the Board meetings, but the federal regulations only require voting on issues dealing with the Section 8 tenant-based program. Ms. Myrick said the Agency's Section 8 Resident Advisory Board, also required by federal regulation, nominated five people as a possible Agency Board member. The names will be checked for eligibility and then submitted to the Governor.

Ms. Myrick reported that the Agency's FY2002-2003 budget was submitted to the Department of Finance & Administration ("F & A") and staff have attended the first round of hearings with F & A staff. She said F & A did not reject any of the improvements included in the FY 2002-2003 budget. The budget includes the new direct servicing function and a total of 29 additional positions.

Ms. Myrick said the Agency received a notice of funding from HUD to fund three additional Family Self-Sufficiency positions in the Section 8 tenant-based program. F & A has been contacted about these three positions and F & A is working with staff to determine if those positions can be approved in the current fiscal year budget.

There was no further business to come before the Board and the meeting adjourned.

Respectfully submitted,

Janice L. Myrick  
Executive Director

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